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SUBJECT: TRINIDAD GASBAG - ENERGY SECTOR NEWS (#3-07)

In this edition, we report on developments in the Trinidad & Tobago (T&T) energy sector during the third quarter of CY-2007:

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[1](#)1. bpTT, Energy Minister comment on Gazprom rumor  
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Responding to international press reports that British Petroleum is offering a stake in T&T's Atlantic LNG to Russia's Gazprom, local subsidiary bpTT described the reports as "pure speculation" and declined to comment. Then-Energy Minister Lenny Saith subsequently stated that any such deal would be subject to GOTT approval. bpTT produces roughly half of T&T's natural gas and owns between 34% and 42.5% of each of the four LNG trains comprising Atlantic LNG's operations, which collectively supply two thirds of US LNG imports. The other shareholders in ALNG are British Gas, Repsol (Spain) Suez LNG (France), and T&T's National Gas Corporation (NGC).

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[1](#)2. Gas audit: proven reserves down o 12 years  
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According to the Ryder Scott audit of T&T's natural gas reserves at end-2006, T&T's prven reserves of LNG have declined by 11 per cent ince end-2004, with a reserves/roduction ratio of approximately 12 years based on current production of 3.8 billion cubic feet (bcf) per day. Responding to the announcement of the audit results, Prime Minister Manning asserted that future exploration, including eleven wells currently on the drawing board, will result in the proving up of reserves currently classified as "probable," so that planned industrial projects in aluminum, steel and plastics can continue to be developed. However, energy sector contacts point out that natural gas production is targeted to increase to 5.9 bcf per day over the next few years, putting further pressure on reserves.

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[1](#)3. T&T Energy Conference charts policy directions  
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Prime Minister Patrick Manning chaired a high-level long-term vision and strategy development conference for the T&T energy sector August 13-14. Following on the heels of news that exploration is not keeping pace with gas production, the conference featured presentations from representatives of foreign and local energy companies, discussion of global trends, and proposals for new energy sector policies. Local industry speakers recommended more favorable

tax and production sharing terms to stimulate exploration. Experts also discussed the prospects for merging state-owned energy companies into a single entity capable of competing for international oil and gas development opportunities, an issue PM Manning had tabled for consideration in March 2007. Manning concluded the conference by stating that adjustments to GOTT energy policy will be announced in early in 2008. Since then the oil and gas industry has been publicly and privately advocating adjusting the GOTT tax regime to encourage more exploration.

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14. Chile joins the LNG queue  
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Chilean Ambassador to T&T Gabriel Zapeda told local media that Chile is looking at T&T as a potential source of energy, in the event a fifth LNG train becomes a reality. Zapeda said that sourcing LNG from Trinidad would help Chile diversify and reduce its dependence on natural gas from Argentina. Zapeda said that with Chile experiencing one of its coldest winters, energy security is a constant source of concern. British Gas and the Ministry of Energy have embarked on an 18-month exercise to determine the feasibility of a fifth train, but industry contacts agree that it will not move forward absent new discoveries or progress in negotiations with Venezuela to develop large cross-border gas fields.

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15. Uganda seeks T&T help to manage oil/gas reserves  
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During a visit to T&T in July, Uganda's Foreign Affairs Minister Sam Kutesa asked for assistance from T&T's experts to develop and manage his country's oil and gas sector in order for Uganda to achieve a

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sustainable economy. During Ugandan President Yoweri Museveni's August visit to Trinidad, Manning announced that T&T would be providing free expertise to Uganda's energy-based industries. Whether this offer of assistance becomes concretized remains to be seen.

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16. Experimental methanol power plant commissioned  
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On July 25, then-Energy Minister Lenny Saith commissioned a new, state-of-the art 8.39 megawatt demonstration power plant at the Point Lisas Industrial Estate that will use methanol to generate electricity. This experimental plant, a joint venture between the University of Trinidad and Tobago (UTT) and Methanol Holdings Trinidad Limited (MHTL), will generate electricity for two of MHTL's existing methanol plants using a specially modified standard gas turbine. If successful during its two-year trial period, the project will provide the technology for utilizing methanol as a fuel and will establish a chemical specification for fuel grade methanol. Minister Saith underscored that this initiative could provide the Caribbean region with a cheaper source of energy. T&T is the world's leading exporter of methanol.

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17. British Gas expanding on-shore Trinidad  
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British Gas (BGTT) reported progress in its quest to find new on-shore natural gas reserves in Trinidad. Of two exploratory wells drilled on the central south coast of Trinidad (Central Block, St. Mary's, Moruga), the Baraka East-1 well encountered and tested for gas accumulation and is now undergoing an intense feasibility study, while the Corosan NE-1 well proved unsuccessful. BGTT plans to carry out a 3D seismic survey over the southwest half of Central Block, which could lead to additional exploration wells. Construction of a BGTT gas processing plant in the Central Block is 80% complete; the installation will handle up to 65 million cubic feet of gas per day, feeding into the cross-island pipeline system that supplies Atlantic LNG.

